

**PHILIPPINE RETIREMENT AUTHORITY  
STATEMENT OF FINANCIAL POSITION**

**December 31, 2017**

(With corresponding figures for CY 2016)

(In Philippine Peso)

	Notes	2017	2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	257,381,626	561,190,556
Short-term investments	5	1,094,342,687	1,060,670,791
Receivables - net	6	25,592,311	30,893,046
Prepayments	7	16,410,242	11,513,947
<b>Total current assets</b>		<b>1,393,726,866</b>	<b>1,664,268,340</b>
<b>Non-Current Assets</b>			
Cash deposits from retirees - restricted	8	12,492,011,606	10,245,195,368
Long-term investments	9	480,408,000	600,000
Property, plant and equipment - net	10	40,438,053	34,202,851
Other assets	11	5,021,783	5,374,811
<b>Total non-current assets</b>		<b>13,017,879,442</b>	<b>10,285,373,030</b>
<b>TOTAL ASSETS</b>		<b>14,411,606,308</b>	<b>11,949,641,370</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable		92,474,751	39,117,868
Dividends payable		187,598,346	210,435,371
Due to officers and employees	12	9,654,377	5,437,243
Inter-agency payables	13	14,790,189	25,212,306
Interest payable	14	82,230,526	56,015,922
Other payables		436,997	435,797
<b>Total current liabilities</b>		<b>387,185,186</b>	<b>336,654,507</b>
<b>Non-Current Liabilities</b>			
Deferred credits	15	5,444,934	5,401,691
Trust liabilities	16	12,453,453,677	10,229,661,006
<b>Total non-current liabilities</b>		<b>12,458,898,611</b>	<b>10,235,062,697</b>
<b>TOTAL LIABILITIES</b>		<b>12,846,083,797</b>	<b>10,571,717,204</b>
<b>EQUITY</b>		<b>1,565,522,511</b>	<b>1,377,924,166</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>14,411,606,308</b>	<b>11,949,641,370</b>

The notes on pages 9 to 19 form part of these financial statements.

**PHILIPPINE RETIREMENT AUTHORITY**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended December 31, 2017**  
(With corresponding figures for CY 2016)  
(In Philippine Peso)

	Notes	2017	2016
<b>INCOME FROM OPERATIONS</b>			
Management fees		137,997,798	132,166,179
Passport and visa/application fees		242,992,925	218,009,242
Annual PRA fees		277,066,129	213,833,167
Harmonization fees		3,375,021	3,957,719
Inspection fees/visitorial fees		20,673,563	23,238,010
Registration fees/ID fees		6,809,718	6,302,130
Affiliation fees/accreditation fees		2,639,969	2,447,155
Processing fees/service fees		2,162,404	2,255,290
Total income from operations	17	693,717,527	602,208,892
<b>EXPENSES</b>			
Direct costs	18	156,040,639	108,175,194
Operating expenses	Sch. 1	103,609,970	86,726,390
Total expenses		259,650,609	194,901,584
<b>NET INCOME FROM OPERATIONS</b>		<b>434,066,918</b>	<b>407,307,308</b>
<b>OTHER INCOME</b>			
Interest income		97,915,662	81,754,528
Miscellaneous income		233,993	397,749
Net foreign exchange gain (loss)			
Realized Gain		22,635,233	53,325,324
Unrealized gain(loss)	19	(21,849,388)	32,774,429
Total Other Income (Expenses)		98,935,500	168,252,030
<b>Net Income Before Tax</b>		<b>533,002,418</b>	<b>575,559,338</b>
Income Tax		157,805,727	122,311,517
<b>Net Income After Tax</b>		<b>375,196,691</b>	<b>453,247,821</b>

The notes on pages 9 to 19 form part of these financial statements.

**PHILIPPINE RETIREMENT AUTHORITY**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended December 31, 2017**  
(With corresponding figures for CY 2016)  
(In Philippine Peso)

<b>Notes</b>	<b>2017</b>	<b>2016</b>
<b>EQUITY</b>		
<b>PAID-IN-CAPITAL</b>	63,217,089	63,217,089
<b>RETAINED EARNINGS</b>		
Balance, beginning of year	1,314,707,077	1,071,894,627
Net income	375,196,691	453,247,821
Dividends	(187,598,346)	(210,435,371)
Balance, end of year	1,502,305,422	1,314,707,077
<b>EQUITY</b>	<b>1,565,522,511</b>	<b>1,377,924,166</b>

The notes on pages 9 to 19 form part of these financial statements.

**PHILIPPINE RETIREMENT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2017**  
(With corresponding figures for CY 2016)  
(In Philippine Peso)

	Notes	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Collection of income		694,951,086	591,671,125
Collection of receivables		5,260,517	3,632,369
Interest income		8,026,404	16,003,560
Refund of cash advances		1,282,153	1,392,388
Gain on foreign exchange		31,105,761	91,396,488
Payment of operating expenses		(171,756,725)	(125,492,069)
Settlement of prior year payables		(19,280,750)	(27,302,197)
Remittance of mandatory contributions/taxes withheld		(21,752,517)	(25,790,480)
Release of cash advance		(7,724,603)	(5,429,911)
Payment of dividends		(210,435,371)	(190,440,943)
Payment of income tax		(148,374,896)	(123,552,194)
Loss on foreign exchange		(30,322,204)	(8,078,257)
Refund of deferred credits		(732,241)	(760,771)
<b>Net cash provided by operating activities</b>		<b>130,246,614</b>	<b>197,249,108</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Maturity of deposits		564,835,649	1,232,120,245
Placement in time deposits		(992,966,491)	(1,054,345,212)
Purchase of property, plant and equipment		(5,924,702)	(6,289,503)
<b>Net cash provided by(used in) investing activities</b>		<b>(434,055,544)</b>	<b>171,485,530</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(303,808,930)</b>	<b>368,734,638</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>		<b>561,190,556</b>	<b>192,455,918</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	4	<b>257,381,626</b>	<b>561,190,556</b>

The notes on pages 9 to 19 form part of these financial statements.

**PHILIPPINE RETIREMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

(All amounts in Philippine Pesos unless otherwise stated)

**1. GENERAL INFORMATION**

Executive Order No. 1037 dated July 4, 1985 created the Philippine Retirement Park System, a corporate body tasked primarily to develop and promote the Philippines as a retirement haven providing the best quality of life for targeted retirees. It also aims to accelerate the social economic development of the country and at the same time strengthen its foreign exchange position.

To fully reflect the nature of its operation, the Board of Trustees approved the change of its corporate name to Philippine Retirement Authority (PRA).

PRA recommends to the Bureau of Immigration (BI), the issuance of Special Resident Retirees Visa (SRRV), a special non-immigrant visa with multiple/indefinite entry privileges, to qualified foreigners and former Filipino citizens who wish to make the Philippines their second home.

With the passage of Tourism Act of 2009, also known as Republic Act (RA) 9593 last May 12, 2009, the supervision of PRA was transferred from the Department of Trade and Industry to the Department of Tourism. Formal turn-over ceremony was held at the Malacañang Palace on March 10, 2010.

On October 22, 2010, in its 245<sup>th</sup> meeting, the BOT approved the new product offerings described and labeled as SMILE, Diplomats Retirement Product, Long-stay Trial Retirement Product, Human Touch, RADAR, Services with a Smile (SWS), Deposit Management and Allied Services and Retirement Public-Private Partnerships as embodied under Board Resolution No. 24 series of 2010.

The SMILE retirement product requires a visa deposit of US\$20,000 for retiree-applicants who are 35 years old and above while the required visa deposit for Ambassadors, members of international organizations and former Filipino citizens are maintained at US\$1,500. Such deposits are non-withdrawable except when the retiree leaves and/or withdraws from the program or in case of end-of-term obligations.

On June 8, 2011, a Memorandum of Agreement was entered into by and between PRA and the Development Bank of the Philippines (DBP), making DBP as one of the authorized depository banks for the requisite visa deposit of the retiree-members under the new product offerings. Under the MOA, the DBP shall accept the requisite deposit for the account of PRA primarily from foreign currency funds inwardly remitted to the Philippines by the qualified retiree for which a certification of inward remittance for each retiree shall be issued to and submitted by DBP to PRA.

As of December 31, 2017, PRA is headed by Chief Executive Officer/General Manager Atty. Bienvenido K. Chy, assisted by a Deputy General Manager and four (4) Department Managers. The Authority has a total of one hundred eleven (111) manpower complement consisting of seventy two (72) regular employees and seventy (70) job order employees.

The PRA Head Office is located at the 29<sup>th</sup> Floor of the Citibank Tower in Valero, St., Paseo De Roxas, Makati City. It has four (4) satellite offices operating in major cities: Angeles (Subic/Clark), Baguio, Cebu and Davao. PRA can be reached through its website [www.pra.gov.ph](http://www.pra.gov.ph).

## 2. OPERATIONAL HIGHLIGHTS FOR THE CY 2017

The Authority has been operational for thirty-two (32) years attaining 53,931 foreign retirees with visa deposits aggregating to US\$ 858 Million. For the last 7 years (2011-2017), despite withdrawals, gross enrolment growth rate averages 16 per cent while net enrolment growth rate tips at 20 per cent which indicates improved membership retention.

For the year ended December 2017, visa deposits reached US\$ 57 Million which is 0.28 per cent higher than the previous year.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Basis of Financial Statement Presentation and Measurement

The financial statements are prepared and presented in accordance with generally accepted state accounting principles using the historical cost basis except for deposits in foreign currency which are translated to peso amount at the year-end closing rate.

### b. Cash and cash equivalents

Cash and cash equivalents include all highly liquid deposits and investments with maturities within three (3) months or less from balance sheet date.

### c. Provision for doubtful accounts

This is provided for visitorial fees receivable, pertaining to accounts of member-retirees considered delinquent, that is, if it is outstanding/unpaid for three consecutive years. Provision was also made for the following accounts:

c.1. Accreditation fee of marketers who opted not to renew their accreditation with PRA after the one-year expiration period;

c.2. Management fees from Bankwise, Inc. (Note 11).

### d. Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Significant improvements and renewals, including incidental costs are capitalized. The straight-line method of depreciation is used based on the estimated life of the assets less ten percent residual/scrap value in accordance with the New Government Accounting System as follows:

<u>Assets</u>	<u>Estimated Life</u>
Office building	30 years

Office equipment	5 years
Furniture and fixtures	10 years
IT and software	5 years
Library books	7 years
Other equipment	10 years
Motor vehicle	7 years

e. Income and expense recognition

The modified accrual basis is used in recognizing income. All expenses are recorded on a full accrual basis in which they are measured when incurred. Revenues are recognized when they are measured and available. There are certain transactions that cash basis of accounting is deemed practical for usage as there are fees due from delinquent stakeholders (mostly foreign nationals) that is almost uncollectible. This method will best reflect the financial transactions and facilitate the fair presentation of the Financial Statements.

f. PRA owned Investments

Surplus peso and dollar cash funds of PRA are placed in Time Deposits, and HY Deposits in government banks, i.e. Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP), to generate additional interest income. US Dollar investments are revalued and recorded using US dollar rates conversion at the end of the year for the CY 2017.

g. Inventories

Office supplies inventory is recorded at cost and accounted for using the perpetual inventory method.

h. Foreign currency transactions

PRA converts into Peso its foreign currency denominated transactions using the actual foreign exchange rate prevailing during the date of transaction. Monetary assets and liabilities that are denominated in foreign currency are revalued at balance sheet date using the closing exchange rate. Foreign currency gains and losses arising from foreign currency fluctuations are recognized in profit or loss for the period.

#### 4. CASH AND CASH EQUIVALENTS

This account consists of:

	<b>2017</b>	<b>2016</b>
Cash on hand	1,014,136	2,438,075
Cash in bank savings and current accounts-LBP	103,707,571	49,452,816
Cash in bank savings and current accounts-DBP	282,838	303,815
Foreign currency time deposits	137,377,081	490,218,672
Investment in bonds	0	8,746,678
Investment in HY deposits	15,000,000	10,030,500
	<b>257,381,626</b>	<b>561,190,556</b>

Deposits and investments in foreign currency for CY 2017 were translated to peso amounts at the year-end closing rate of P49.980:1US\$.

Foreign currency time deposits with the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) amounted to US\$2.749 million in 2017 and US\$9.841 million in 2016 with maturities within three months.

Investment in bonds in CY 2016 consisted of the 3-year ROP11 bonds with face value of US\$175,000 purchased at a premium and matured on January 18, 2017.

Regular deposits accounts with LBP and DBP earn interest at rates ranging from 0.15 per cent to 0.25 per cent.

Investment in high-yield (HY) Deposits in CY 2017 is a 364-day term 1.250 per cent interest LBP investment with face value of Php15 million purchased February 8, 2017 maturing on February 7, 2018.

## 5. SHORT-TERM INVESTMENTS

This account consists of:

	2017	2016
Foreign currency time deposits	841,247,949	795,070,469
Investment in HY deposits	253,094,738	265,600,322
	<b>1,094,342,687</b>	<b>1,060,670,791</b>

These items have maturities of beyond 90 days but within the next 12 months.

Foreign Currency Time Deposits with LBP and DBP amounts to US\$16.832 million and US\$15.960 million for CY 2017 and 2016, respectively.

Investments in High Yield (HY) Deposits in CY 2017 are deposits with LBP yielding interest rates of 1.125 per cent to 1.500 per cent including the amount of US\$2.243 million.

## 6. RECEIVABLES – NET

This account consists of:

	2017	2016
Accounts receivable	9,816,243	18,455,101
Advances to officers and employees	536,605	33,745
Due from officers and employees	7,337,947	8,545,356
Interest receivables	7,901,516	3,858,844
	<b>25,592,311</b>	<b>30,893,046</b>



## 6.1 Accounts Receivable consists of:

	2017	2016
Visitorial fees (VF)	35,709,394	36,913,980
Allowance for doubtful accounts-VF	(26,361,482)	(26,361,482)
Visitorial fees - net	9,347,912	10,552,498
Management fees	26,021	7,460,293
Harmonization fees	442,310	442,310
	<b>9,816,243</b>	<b>18,455,101</b>

**a. Visitorial fees receivable** represents annual fees due from retirees who have converted their requisite visa deposits into active investments, at the rates ranging from 0.5 per cent to 1.5 per cent of the total amount invested.

Since May 29, 2006, the Special Reduced Deposit (SRD) scheme was implemented, modifying the amount of required deposits as well as the visitorial fees for the conversion of deposits into active investments. The minimum qualifying deposit and visitorial fee rates applicable to those enrolled under the SRD Program for the principal retiree-applicant are as follows:

### Minimum Qualifying Deposit:

<u>Age</u>	<u>From</u>	<u>To</u>
35 to 49 years old	US\$ 75,000	US\$ 50,000
50 years old and above	US\$ 50,000	US\$ 20,000

### Visitorial Fees:

<u>Amount of Deposit Converted</u>	<u>Annual VF Collected</u>
US\$ 20,000	US\$ 500 or its peso equivalent
US\$ 50,000	US\$ 750 or its peso equivalent

Retirees who had been delinquent in paying VF for more than three years were sent collection letters/notices. After three notices and the retirees still failed to pay, they were placed on a watch list published in three leading newspapers of general circulation. If after publication, the retirees remain delinquent, their SRRVs shall be recommended to the BI for cancellation and the receivables shall be recommended to be written off from the books of accounts subject to the approval by the PRA Board of Trustees.

In the implementation of the new product offerings described in the General Information portion, the SRD Program is now referred to as "Classic".

**b. Management fees** represent fees due from PRA accredited banks equivalent to 1.5 per cent of the outstanding daily balance of retirees' deposits.

**c. Harmonization fees** are amounts collected pursuant to Board Resolution No. 92 series of 2007, otherwise known as the harmonization of the old and new

schemes of deposit. A management fee of 1.5 per cent per annum is levied by PRA on the retiree in consideration for the release of the amounts in excess of the required deposit under the modified SRD scheme.

## 6.2 Due from Officers and Employees

This account pertains to the disallowed payment of allowances and expenses of which the amount of P6.288 million were already issued with COA Order of Execution (COE) and prior years unliquidated cash advances of active and retired/resigned PRA officers and employees.

## 7. PREPAYMENTS

This account consists of:

	2017	2016
Office supplies inventory	9,331,724	7,262,490
Deferred charges	4,275,951	3,776,800
Other prepaid expenses	2,802,567	474,657
	<b>16,410,242</b>	<b>11,513,947</b>

Deferred charges account pertains to the Creditable Withholding taxes from the receipt of management fees collected from banks and the other deferred charges resulting from the bank debit memo items of prior years that are for reconciliation.

Other prepaid expenses account for CY 2017 includes four (4) procured items such as firewall, anti-virus and other software items from Imax Technologies, American Technologies, Inc. and The Procurement Service, all to be amortized within 1-year period time of consumption.

## 8. CASH DEPOSITS FROM RETIREES – RESTRICTED

This account represents the required visa deposit from retiree-members which are placed in time deposits with the DBP on a yearly basis. These deposits are held in trust for the account of retiree-members, hence, a trust liability account is recognized (*Note 16*).

## 9. LONG -TERM INVESTMENTS

This account consists of:

	2017	2016
Investment in HY deposits	79,968,000	0
Foreign currency time deposits	399,840,000	0
Investment in stocks	600,000	600,000
	<b>480,408,000</b>	<b>600,000</b>

These items have maturities of beyond 12 months.

Investment in High Yield Deposits account in CY 2017 pertains to LBP Investment yielding interest rate of 2 per cent with face value amount of US\$1.600 million with term of 2 years. This will mature on August 18, 2019.

Foreign Currency Time Deposits in CY 2017 pertains to LBP Dollar time deposits amounting to US\$8.000 million, purchased on October 9, 2017 with term of 3 years yielding interest rate of 2.500 per cent.

Investment in Stocks account pertains to investments in shares of stock of the Baguio Country Club Corporation.

## 10. PROPERTY AND EQUIPMENT - NET

The details of the account are shown below:

	Office Building	Office/IT Equipment, Furniture, Fixtures and Others	Motor Vehicles	Total
<u>Cost:</u>				
Balance, January 1, 2017	55,464,983	35,979,500	13,789,398	105,233,881
Additions	0	6,784,020	0	6,784,020
<b>Balance, December 31, 2017</b>	<b>55,464,983</b>	<b>42,763,520</b>	<b>13,789,398</b>	<b>112,017,901</b>
<u>Accumulated Depreciation:</u>				
Balance, January 1, 2017	35,406,026	23,214,546	12,410,458	71,031,030
Additions	4,406	1,028,682	0	1,033,088
Disposals (Adjustments)	(484,270)	0	0	(484,270)
<b>Balance, December 31, 2017</b>	<b>34,926,162</b>	<b>24,243,228</b>	<b>12,410,458</b>	<b>71,579,848</b>
<b>Net book value, Dec. 31, 2017</b>	<b>20,538,821</b>	<b>18,520,292</b>	<b>1,378,940</b>	<b>40,438,053</b>
<b>Net book value, Dec. 31, 2016</b>	<b>20,058,957</b>	<b>12,764,954</b>	<b>1,378,940</b>	<b>34,202,851</b>

The Office Building Account pertains to the condominium unit acquired by PRA in December 1996 at the Citibank Tower, Makati City with total area of 598.20 square meters including four (4) parking units.

## 11. OTHER ASSETS

This account consists of:

	2017	2016
Management fees receivable	3,450,556	3,450,556
Other receivables	1,888,664	2,191,055
	5,339,220	5,641,611
Allowance for doubtful accounts	(4,529,357)	(4,529,357)
Other receivables – net	809,863	1,112,254
Guaranty deposits	4,211,920	4,262,557
	<b>5,021,783</b>	<b>5,374,811</b>

Management fees receivable is due from Bankwise, Inc.. Collection had already been endorsed to the OGCC for legal action considering that Bankwise, Inc. is now under receivership by the Philippine Deposit Insurance Corporation.

The Other Receivables account consists of receivables from marketers, for management fees due from private banks, and active/resigned/retired PRA officers and employees as well as former PRA Board of Trustees.

Guaranty deposits pertain mainly to the security deposits paid to METROBANK-TRUST BANKING GROUP for the lease by PRA of office space at the Citibank Tower and other service providers such as PLDT.

## 12. DUE TO OFFICERS AND EMPLOYEES

This account pertains to the money value of unused leave credits and other certified obligations for unpaid salaries and allowances, and other benefits.

## 13. INTER-AGENCY PAYABLES

The account consists of:

	2017	2016
Due to BIR	13,788,367	24,670,787
Due to GSIS	403,767	0
Due to Pag-Ibig & Philhealth	25,423	0
Due to other NGAs	572,632	541,519
	<b>14,790,189</b>	<b>25,212,306</b>

Due to BIR represents the amount of last quarter income tax payable.

Due to GSIS, Philhealth and Pag-Ibig accounts in CY 2017 are payroll items representing mainly of contributions from PRA regular employees due for remittance as of CY 2017, majority of which pertain to the effect of the salary adjustment/differential of regular employees pursuant to EO no. 36 of 2017 released on December 29, 2017.

Due to other NGAs pertains liability to the Bureau of Immigration for the processing of retiree's visa.

## 14. INTEREST PAYABLE

This account pertains to unclaimed share of retiree-members in the interest income earned from their visa deposits which are placed in time deposits with DBP amounting to US\$ 1,633,946.39 and US\$ 1.124 million for 2017 and 2016, respectively.

## 15. DEFERRED CREDITS

This account pertains mainly to reconciling items of the Cash account amounting to P5.252 million for CY 2017 and P5.337 million for CY 2016 representing bank credits for the period 2001 to 2015 that remain unrecorded pending verification and proper documentation.

## 16. TRUST LIABILITIES

This account is the counter liability account of the Non-Current Asset “Cash Deposits from Retirees – Restricted” account under *Note 8* above. CY 2017 amounts to 249,589,559.04, peso reported at P12,453,453,677.12. CY 2016 amounts to US\$207,644,227.33, peso reported at P10,229,661,005.99.

## 17. OPERATING INCOME

Income from operations pertains mainly to the following fees:

**17.1 Annual PRA Fee (APF)** pertains to the annual fee collected from active members @ US\$360.00 for the principal retiree and two (2) qualified dependents and US\$100.00 for every additional dependent.

**17.2 Passport and Visa/Application Fees** are one-time processing/service fees paid by retiree-applicants as initial requirement for their application in the program @ US\$1,400 for the principal applicant and US\$300 for dependent applicants.

**17.3 Management Fees** are collected from private banks where retiree-members maintain their visa deposits computed at agreed rates based on the outstanding amount of deposits. Presently there are twenty-four (24) private banks maintaining visa deposits of retiree-members.

**17.4 Visitorial Fees** represents annual fees due from retirees who have converted their requisite visa deposits into active investments, at the rates ranging from 0.5 per cent to 1.5 per cent of the total amount invested (*Note 6*).

## 18. DIRECT COSTS

This account consists of the following:

	2017	2016
Bureau of Immigration fees	30,579,023	30,594,279
Marketers' fees	60,651,766	50,410,279
Medical examination fees	4,892,900	4,368,500
Visa stickers and ID cards	518,482	516,985
Marketing expenses	59,398,468	22,285,151
	<b>156,040,639</b>	<b>108,175,194</b>

Bureau of Immigration (BI) Fees pertain to amounts paid to the BI on the processing of the retiree-applicants' visa @ P5,080 for every principal applicant or spouse and P4,830 for dependents aged 15 years old and below.

Marketers' Fee pertains to payments by PRA to its accredited marketers for enrolment services rendered to retiree-applicants at US\$500 per applicant. As of CY 2017, PRA has 214 accredited marketers that were able to enroll a total of 2,253 principal retiree-applicants during the year.

Medical Examination Fees pertains to payments by PRA to its accredited merchant partners for providing medical services to retiree-applicants.

Marketing expenses consist of the following:

	2017	2016
Travelling expenses – local	514,788	314,705
Travelling expenses – foreign	5,575,800	3,656,003
Marketing expenses – advertising	43,474,177	12,448,371
Marketing expenses – promotions	9,797,324	5,719,877
Postage and deliveries expenses	36,379	146,195
	<b>59,398,468</b>	<b>22,285,151</b>

Increase in marketing expenses from CYs 2016 to 2017 in the amount of P37.113 million pertains mainly to the advertisements in publications in the amount of P43.474 million, which is P31.026 million or 249 per cent higher than the CY 2016 amount of P12.448 million.

## 19. UNREALIZED LOSS ON FOREIGN EXCHANGE

This account pertains to the exchange differential on the translation to peso amount of deposits and investments in foreign currency totaling US\$ 32.871 million at the year-end closing rate of P49.980:1US\$.

## 20. TAXES

### 20.1 Payment of Taxes and Exemption from VAT.

**Section 12 of the Executive Order 1037**, s. 1985, states the following:

*“Section 12. Exemption from Fees, Duties and Taxes. The SYSTEM is hereby declared exempt from all income and other internal revenue taxes, tariff and customs duties and all other kinds of taxes, fees, charges and assessments levied by the government and its political subdivisions, agencies and instrumentalities.*

*The President of the Philippines, upon recommendation of the Minister of Finance, may partially or entirely lift the exemptions herein granted, if he shall find that the SYSTEM is already self-sustaining and finally capable of paying such taxes, customs duties, fees, charges and other assessments, after providing for the debt service requirements and the projected capital and operating expenditures of the SYSTEM.”*

Accordingly, after reaching self-sustainability, PRA religiously remits quarterly and yearly with the Bureau of Internal Revenue the income tax as required under the Corporate Income Tax Law, and monthly all taxes withheld by the Authority from its suppliers/stakeholders in compliance with the existing Revenue Regulations on the taxes withheld on Government Money Payments.

### **Value Added Tax (VAT)**

The VAT law stated in the provisions of Republic Act No. 8424, imposition of VAT payable to Government bodies may not qualify with the provisions stated thereat as it is not expressly stated for GOCCs and other government bodies on the

imposition of remitting VAT with the BIR. As compared with the provisions stated in the Section 12 of Republic Act 9337, amending Section 114 of the National Internal Revenue Code of 1997, with subsection (C), the code expressly and specifically mandates GOCCs to which PRA belongs, to just withhold the final VAT of five per cent (5%) and remit the same to the BIR, to wit,

*“(C) Withholding of Value-Added Tax. - The Government or any of its political subdivisions, instrumentalities or agencies, including GOCCs shall, before making payment on account of each purchase of goods and services which are subject to the value-added tax imposed in Sections 106 and 108 of this Code, deduct and withhold a final value-added tax at the rate of five per cent (5%) of the gross payment thereof ...”.*

## 20.2 Requirements under Revenue Regulations (RR) 15-2010

The taxes, duties and licenses fees paid or accrued during the taxable year required under RR 15-2010 are as follows:

### a. Withholding Taxes:

The details of total withholding taxes for the year ended December 31, 2017 are as follows:

Compensation and benefits	P 6,818,144.89
Creditable (Expanded)	10,620,791.44
Creditable (VAT)	6,477,255.35
<b>TOTAL</b>	<b>P 23,916,191.68</b>

### b. Income Tax Return:

The details of the Income Tax Returns for the CY 2017 are as follows:

QUARTER	INCOME TAX EXPENSE	CREDITABLE withholding tax on Management Fees	NET AMOUNT PAID
Full payment of CY 2016	20,724,884.06	n/a	20,724,884.06
1 <sup>st</sup> qtr – 2017	38,477,431.27	2,370,048.97	36,107,382.30
2 <sup>nd</sup> qtr - 2017	40,681,568.26	2,382,610.92	38,298,957.34
3 <sup>rd</sup> qtr- 2017	44,593,252.41	2,289,994.54	42,303,257.87
4 <sup>th</sup> qtr- 2017	13,328,591.26	n/a	n/a
	<b>157,805,727.26</b>	<b>7,042,654.43</b>	<b>137,434,481.57</b>